

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Illinois Power Company	:	
d/b/a AmerenIP	:	07-0113
	:	
Reconciliation of revenues	:	
collected under Coal Tar riders	:	
with prudent costs associated with	:	
coal tar clean up expenditures.	:	

ORDER

By the Commission:

On February 7, 2007, the Illinois Commerce Commission ("Commission") entered an Order Commencing Reconciliation Proceedings directing Illinois Power Company d/b/a AmerenIP ("IP") to present evidence in this docket reconciling revenues collected under its environmental remediation riders with prudently incurred costs of environmental activities and recoveries under said riders. The relevant rider concerning IP's electric business is Rider EEA (Electric Environmental Adjustment) and the relevant rider concerning IP's gas business is Rider GEA (Gas Environmental Adjustment). The applicable reconciliation period is from January 1, 2006 through December 31, 2006 ("Reconciliation Period").

In compliance with the Commission's February 7, 2007 order and 83 Ill. Adm. Code 255, IP filed with the Commission a list of all Illinois municipalities within which it provides electric or gas service. Thereafter, IP filed testimony and exhibits summarizing environmental activities conducted at its manufactured gas plant ("MGP") sites along with an accounting of revenues collected and costs incurred in connection with its sites. IP published notice of the filing in newspapers having general circulation in its service territory as required. AmerenIP Exhibit 1.4 consists of the Certificates of Publication for those notices.

Pursuant to due notice, hearings were held before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield on May 16 and September 12, 2007. Appearances were entered by counsel for Commission Staff ("Staff") and counsel for IP. No petitions to intervene were filed. Leonard Mans, Ameren Services Company's Managing Supervisor of General Ledger in the Controller's Function, and Brian Martin, a Consulting Environmental Scientist employed

by Ameren Services Company, testified on behalf of IP.¹ Bonita Pearce, an Accountant in the Accounting Department of the Financial Analysis Division of the Commission's Bureau of Public Utilities, testified on behalf of Staff. At the conclusion of the latter hearing, the record was marked "Heard and Taken."

As set forth by Mr. Mans and Mr. Martin, IP has identified 25 MGP sites for which it has and will continue to incur environmental cleanup costs as a potentially responsible party under federal and state law. The sites are located throughout IP's service territory. A list of the communities in which the sites are found appears in AmerenIP Exhibit 2.0. According to his testimony, Mr. Mans is responsible for calculating and filing with the Commission IP's monthly information and annual reconciliation report required by IP's Rider EEA and Rider GEA. Mr. Mans sponsors IP's reconciliation statement for 2006 which has been marked as AmerenIP Exhibit 1.1. AmerenIP Exhibit 1.1 identifies at which of IP's 25 MGP sites it incurred remediation costs during 2006. Altogether, IP incurred \$4,855,441 in MGP expenses in 2006. Mr. Mans reports, however, that IP did not collect any revenues under its Riders in 2006. Instead IP's remediation expenses have been offset by proceeds from settlements with insurance companies. Despite not having collected any revenues under its Riders, IP nevertheless reports an over recovery. As a result of amounts carried over from prior years, Mr. Mans testifies that IP's books reflect an over recovery from electric customers in the amount of \$6,928 and an over recovery from gas customers in the amount of \$1,400. Mr. Mans states that both amounts will be carried forward into the 2007 Rider EEA and Rider GEA calculations.

Mr. Martin identifies the 25 MGP sites for which IP is responsible for remediation. He states that remediation activities have been completed at three of the sites. The other sites are in various stages of investigation and remediation. He also generally describes IP's four phases of a MGP site cleanup. He states further that IP is conducting the MGP investigation and remedial management of the sites under the Illinois Environmental Protection Agency ("IEPA") Site Remediation Program. This is a program in which IP works cooperatively with the IEPA to investigate and to manage sites to mitigate risk to human and environmental receptors and to achieve compliance with the Illinois Environmental Protection Act, 415 ILCS 5/1 et seq. Mr. Martin testifies that IP has entered into a formal agreement with the IEPA under which the IEPA provides oversight for the MGP program, and IP reimburses the IEPA's expenses for oversight. He notes that the IEPA has approved the measures detailed in the MGP activity summary report. Mr. Martin asserts further that the environmental costs incurred by IP at its MGP sites were prudently incurred. IP introduced into evidence its responses to Staff data requests, as requested by Staff.

In addition to her review of IP's filings, Ms. Pearce issued data requests to IP concerning the revenues collected under Rider EEA and Rider GEA and costs recoverable under the Riders. Ms. Pearce states that based upon her review using the

¹ Ameren Services Company is a subsidiary of Ameren Corporation, the parent company of IP. Ameren Services Company provides subsidiary companies of Ameren Corporation with a variety of administrative, management, and support services, including accounting services.

four prudence standards set by the Commission in the Order in Docket Nos. 91-0080 through 91-0095 (Cons.), she found no reason to object to the prudence of the expenditures made by IP. As a result of her review, she recommends the approval of IP's annual report as reflected in AmerenIP Exhibit 1.1.

Ms. Pearce also notes that IP included among its expenses to be recovered under Rider EEA and Rider GEA the costs to acquire one parcel of land in Hillsboro, Illinois and another parcel of land in Jacksonville, Illinois. While she acknowledges that land acquisition costs are specifically included in the definition of incremental costs described in the Riders, she is concerned by the Riders' failure to address the treatment of proceeds from subsequent sales of land that were originally acquired for environmental remediation. Ms. Pearce recommends that Rider EEA and Rider GEA be modified to expressly state that proceeds from sales of land acquired for environmental remediation be flowed back to ratepayers through Rider EEA and Rider GEA. IP does not object to this recommendation and agrees with Staff that such modifications could be made within two months.

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) IP is a corporation engaged in the distribution of electricity and natural gas to the public in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq.;
- (2) the Commission has jurisdiction over IP and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) the evidence shows that during the Reconciliation Period, IP acted reasonably and prudently in incurring incremental costs of \$4,855,441 in connection with its MGP sites which has been entirely offset by the proceeds of settlements with insurance companies;
- (5) the evidence shows that during the Reconciliation Period, IP did not collect any revenues under Rider EEA and Rider GEA in 2006;
- (6) the evidence shows that the carry over of reconciled amounts from prior years is an over recovery from electric customers in the amount of \$6,928 and an over recovery from gas customers in the amount of \$1,400;
- (7) the cumulative over recovery at December 31, 2006 of \$8,328 should be carried forward into the 2007 Rider EEA and Rider GEA calculations;

- (8) within 60 days of the date of this Order, IP should, after working with Staff, file with the Commission modified versions of Rider EEA and Rider GEA consistent with Staff's recommendation described in the prefatory portion of this Order; and
- (9) upon making the filing described in Finding (8) above, IP should submit a brief "Compliance Filing" in this docket indicating that the contemplated revisions to Rider EEA and Rider GEA have been made and filed with the Chief Clerk.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the reconciliation submitted by Illinois Power Company d/b/a AmerenIP of the revenues collected under its Rider EEA and Rider GEA with costs prudently incurred for environmental activities for calendar year 2006 is hereby approved as reflected in the attached Appendix.

IT IS FURTHER ORDERED that Illinois Power Company d/b/a AmerenIP shall comply with Findings (8) and (9) above.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 26th day of September, 2007.

(SIGNED) CHARLES E. BOX

Chairman